

Message Text

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ORIGIN AF-06

INFO OCT-01 ARA-06 EA-07 IO-10 ISO-00 EB-07 EUR-12 NEA-10

L-03 FRB-03 OMB-01 TAR-01 SP-02 AGR-05 AID-05 CIAE-00

COME-00 INR-07 LAB-04 NSAE-00 OIC-02 SIL-01 STR-04

TRSE-00 CIEP-01 CEA-01 /099 R

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AF/EPS:AJILLSON

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FM SECSTATE WASHDC

TO AMEMBASSY ABIDJAN

AMEMBASSY ACCRA

AMEMBASSY BRASILIA

AMEMBASSY CARACAS

AMEMBASSY KUALA LUMPUR

AMEMBASSY LAGOS

AMEMBASSY LOME

AMEMBASSY MEXICO

AMEMBASSY PORT OF SPAIN

AMEMBASSY QUITO

AMCONSUL RIO DE JANEIRO

AMEMBASSY SANTO DOMINGO

AMEMBASSY YAOUNDE

USMISSION GENEVA

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E.O. 11652: N/A

TAGS: EPAP, EAGR, ETRD, UNCTAD

SUBJECT: COCOA NEGOTIATIONS

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REFS: A. GENEVA 7928

DETAILED SUMMARY OF NEGOTIATIONS IN PREPARATION BY
DEPARTMENT. IN INTERIM, POSTS MAY DRAW ON FOLLOWING IN
RESPONSE TO QUESTIONS.

A) AS LARGEST CONSUMER OF COCOA, US BELIEVES COCOA IS ONE
OF THE COMMODITIES WHICH MIGHT LEND ITSELF TO AN EFFECTIVE
ARRANGEMENT TO MODERATE INSTABILITY IN CONSUMER SUPPLIES
AND PRODUCER EARNINGS.

B) IN THE SPIRIT OF THE SECRETARY'S RECENT STATEMENTS ON
COMMODITY AGREEMENTS, US DELEGATION ACTIVELY PARTICIPATED
IN NEGOTIATIONS FOR NEW COCOA AGREEMENT. EARLY IN SESSION
WE MADE A NUMBER OF CONSTRUCTIVE PROPOSALS DESIGNED TO

SIMPLIFY THE WORKING OF THE AGREEMENT AND PLACE MAXIMUM
RELIANCE ON MARKET FORCES TO DAMPEN PRICE FLUCTUATIONS AND
CREATE ORDERLY CONDITIONS FOR GROWTH OF BOTH SUPPLS AND
DEMAND. OUR PROPOSALS WOULD GIVE MAJOR ROLE TO BUFFER
STOCK PURCHASE AND SALES, FINANCED INITIALLY BY CONSIDER-
ABLE SUM (OVER \$80 MILLION) AT DISPOSAL OF COCOA

COUNCIL AS RESULT OF PRESENT AGREEMENT'S EXPORT LEVY.

C) US PROPOSALS WERE RECOGNIZED AS CONCRETE EVIDENCE OF
US QUOTE POLITICAL WILL UNQUOTE TO NEGOTIATE WORKABLE
AGREEMENT. THEY INITIALLY RECEIVED FAVORABLE REACTION
FROM MANY PRODUCERS AND CONSUMERS. HOWEVER, THERE WAS
INSUFFICIENT TIME TO CONSIDER THE US PROPOSALS CAREFULLY,
AND PROPOSED AGREEMENT, WHICH IS DERIVED FROM PRESENT
AGREEMENT, DOES NOT CONTAIN MANY OF THE PROVISIONS THE US
BELIEVES NECESSARY FOR A SATISFACTORY AND WORKABLE
SYSTEM. BECAUSE OF THIS, WE WERE UNABLE TO JOIN CONSENSUS
ON PRESENT PROPOSALS FOR NEW AGREEMENT.

D) A FINAL DECISION ON US PARTICIPATION IN NEW AGREEMENT
CAN ONLY BE MADE AFTER COMPREHENSIVE REVIEW OF THE DRAFT
BY A NUMBER OF USG AGENCIES, AND AFTER CONSULTATIONS WITH
OUR CONGRESS. IN MEANTIME, WE STAND READY TO CONSIDER
MODIFICATIONS TO THE PRESENT DRAFT, IN THE HOPE OF MAKING
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THE AGREEMENT MORE ACCEPTABLE AND WORKABLE.

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